

# **EXHIBIT 21**

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MASSACHUSETTS**

ASSOCIATION OF AMERICAN  
UNIVERSITIES, *et al.*,

Plaintiffs,

v.

DEPARTMENT OF HEALTH & HUMAN  
SERVICES, *et al.*,

Defendants.

Case No. [ ]

**DECLARATION OF ELIZABETH DUGGINS PELOSO**

I, Elizabeth Duggins Peloso, declare as follows:

1. I am the Senior Associate Vice Provost and Senior Associate Vice President for Research at the University of Pennsylvania (“Penn”). I have held that position since July 1, 2024.

2. In my role, I have personal knowledge of the contents of this declaration, or I have knowledge of the matters based on my review of information and records gathered by Penn personnel, and could testify thereto.

3. Penn is one of the nation’s top research universities, not only generating important new knowledge in the fields of medicine, technology, business, science, and beyond, but also applying this knowledge to improve the lives of individuals and communities in the United States and around the world.

4. For example, the basic and clinical research findings emerging from our laboratories and hospitals improve the treatment of a wide range of medical conditions and contribute to the foundation of knowledge upon which medical innovations rely.

5. Vital research at Penn is made possible by funding provided by the National Institutes of Health (“NIH”). Penn Medicine and the Perelman School of Medicine consistently rank in the top 5 percent in the nation among academic medical centers for research awards granted—most in the form of outside funding, such as NIH research awards.

6. Penn receives substantial funding from NIH. In the Penn research system alone, there are more than 1,803 active NIH awards, amounting to a total of \$2.6 billion.

7. Indirect costs (or “F&A” costs) are essential for supporting this research. The NIH’s proposal to cut indirect cost rates to 15% would end or seriously jeopardize research projects at Penn.

8. Recovery of Penn’s indirect costs is based on predetermined rates that have been contractually negotiated with the federal government.

9. Through fiscal year ending June 30, 2027, the negotiated indirect cost rate for on campus research is 62.5%, reflecting the magnitude of Penn’s institutional costs that support, and are thus appropriately allocated across, multiple research projects. Penn’s indirect cost rate is not an indicator of inefficiency or profligacy; to the contrary, it merely reflects that critical research-supporting resources are shared across multiple cost objectives.

10. Reducing Penn’s indirect cost recovery rate from the negotiated rate of 62.5% to 15% would have substantial consequences. For calendar year 2025, assuming 11 months will be used as impacted by the change, Penn would have expected F&A on NIH awards to be \$232.6 million at our current rate. The 15% cap results in a loss of \$170.9 million, and a recovery of only \$61.7 million in F&A return.

11. This reduction will have deeply damaging effects on Penn’s ability to conduct research.

12. I understand that, according to the NIH, in fiscal year 2023, every \$1 of NIH funding generated approximately \$2.46 of economic activity. *See* NIH, Direct Economic Contributions, <https://www.nih.gov/about-nih/what-we-do/impact-nih-research/serving-society/direct-economic-contributions>.

13. And I understand that Penn, more broadly, generates \$21.5 billion in annual economic activity in the region, which includes \$42 million in daily economic activity in the city of Philadelphia. *See* University of Pennsylvania, Penn's Economic Impact on Pennsylvania and Philadelphia, <https://www.evp.upenn.edu/strategic-initiatives/community-and-economic-development/economic-impact-on-pennsylvania-and-philadelphia.html>

14. The effects will be immediately felt in clinical trials involving both human and animal subjects. At Penn, there are currently 126 active NIH clinical trials where patients are being seen at one of Penn's affiliated hospitals. There are 50,174 active research patients participating in these studies.

15. A 15 percent cap on F&A costs would disrupt numerous ongoing clinical trials in cancer treatment, immunotherapy and bone marrow transplant therapy with enrolled patients, including those who have already started but not yet completed treatment. These trials include:

- a. 48 ongoing clinical trials with over 12,000 active enrolled subjects at the Penn Cancer Center;
- b. An enrolled patient in a kidney transplant and CAR T study who has already begun treatment and is currently awaiting a transplant;
- c. 250 patients in a study regarding the impact of immune therapies; and
- d. 2,500 patients currently being observed in clinical trials regarding immune health.

16. A 15% F&A cap would also result in immediate harm to active biomedical research with animal subjects, including:

- a. Studies using mice to develop therapies for HIV, autoimmune diseases and cancer;
- b. Studies using mice aimed at understanding the genes involved in rising rates of heart failure; and
- c. Studies aimed at understanding traumatic brain injury and peripheral nerve injury, both of which occur frequently in military and veteran populations.

17. F&A costs are crucial in clinical trials with live subjects. In one of the studies mentioned above, where researchers are developing therapies for HIV, autoimmune disease, and cancer, researchers utilize F&A funds to support 16,000 mice, which includes the cost of 5,333 cages, 11 mice caretakers, 4 cage wash technicians, 3 veterinary technicians, 1 veterinarian, cage equipment costs, feed, bedding, enrichment, water bottles for all animals, and regulatory and facility support.

18. Penn has for decades relied on inclusion of indirect costs in NIH financial assistance awards. And until now, we have been able to rely on the well-established, data-driven process for negotiating indirect cost rates with the government to inform our budgeting and planning. Operating budgets rely on an estimate of both direct and indirect sponsored funding to plan for annual staffing needs (*e.g.*, post-docs, PhD students, and other research staff), infrastructure support (*e.g.*, IT networks, regulatory compliance, and grant management support), and facility and equipment purchases.

19. If the 15% across-the-board indirect rate cap goes into effect, Penn's ability to pay employees and researchers would dramatically be reduced, resulting in immediate and widespread

effects on those employees and their families. For example, the staff centrally supporting research and compliance functions (thus contributing to multiple funded projects) are funded by the F&A cost recovery. This includes 529 staff positions. The imposition of the 15% F&A rate will result in a 75% reduction of available resources to support these functions, which may translate into a loss of more than 350 jobs and corresponding loss of support for multiple ongoing research commitments.

20. Additionally, while those individuals who directly support research are one impacted group, the numbers of positions and salaries impacted by indirect cost recovery is much larger. There are currently 2,296 positions included in the facilities portion of indirect costs, and 1,742 in the administrative pool, a total of 4,020 jobs at Penn. The salary dollars supported by these indirect costs are \$308,281,340 for fiscal year 2025.

21. The resulting immediate impact will substantially disrupt Penn's ability to continue its life-saving clinical trials and ongoing cancer research. This will impede Penn's initiation of new clinical trials and harm the entire infrastructure that supports our research enterprise. For many of these functions, specialized skills are required for optimal workforce performance, and it will take years to retrain new staff if existing employees exit due to the uncertainty of future funding.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on February 10, 2025, in Philadelphia, PA.

/s/ Elizabeth Duggins Peloso

**ELIZABETH DUGGINS PELOSO**